

Lincolnshire Pension Fund Stewardship Code Statement

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and encourages its appointed asset managers to do so too. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

In practice the Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum.

Voting is carried out at Fund level, rather than by appointed managers, using a third party voting agency, Manifest. A voting template has been agreed by the Pensions Committee, and voting is carried out globally.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest. These are discussed prior to the appointment of a manager, and reviewed as part of the standard manager monitoring process.

In respect of conflicts of interest within the Fund, Pensions Committee members are required to make declarations of interest prior to committee meetings.

Principle 3 - Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our externally managed equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on activity undertaken. Reports on voting and engagement activity are received by the Pensions Committee on a quarterly basis.

In addition, the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code.

However, on occasion, the Fund may itself choose to escalate activity, principally through engagement activity through the Local Authority Pension Fund Forum.

The Fund participates in shareholder litigation through its contract with Pension Vault, using the services of IPS (Institutional Protection Services).

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights is maintained at Fund level, and not delegated to the Fund's appointed asset managers. The Fund exercises all votes for its UK, developed Europe, US, Canada and Japanese equity holdings. Votes are cast in accordance with a template that represents best practice corporate governance standards, that is agreed by the Pensions Committee. Advice on best practice is supplied by the voting agency Manifest. This includes consideration of company explanations of compliance with the Corporate Governance Code. Reports are presented to the Pensions Committee on a quarterly basis on how votes have been cast, and controversial issues are often discussed at committee meetings.

The Fund participates in stock lending through its Custodian, JPMorgan. Stock is not recalled ahead of company meetings to allow voting on the holdings participating in the stock lending programme.

The quarterly reports that include high level voting activity are available on the Council's website, alongside all committee reports.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports annually on stewardship activity through a specific section on voting and engagement activity undertaken during the year, in the Pension Fund Report and Accounts. This includes details of activity undertaken through the Local Authority Pension Fund Forum. Quarterly reports that are taken to the Pensions Committee include high level voting activity and are available on the Council's website, alongside all committee reports.

As voting is not delegated to managers, they are not asked to obtain an independent report on their voting and engagement processes.

Reviewed 16th July 2015 by the Pensions Committee

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